

Message Text

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5615

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PASS FRANK COTTER, VICE PRESIDENT WESTINGHOUSE ELECTRIC
CORPORATION, 1801 K STREET, WASHINGTON, 202-833-5046

FROM LYONS AND MCMAHON IN NEW DELHI

E.O. 11652: N/A (DECLASSIFY ON RECEIPT)

TAGS:

SUBJ: DROBOT CASE

1. CLEARLY EVIDENT BY NOW THAT INDIAN AUTHORITIES HAVE EFFECTIVELY REJECTED OUR ORIGINAL PROPOSAL OFFERING OUR FULL COOPERATION AND REASONABLE FINANCIAL SETTLEMENT OF DROBOT'S ASSESSMENTS AND PENALTIES WITH UNDERSTANDING THAT DROBOT WOULD THEN BE FREE TO LEAVE INDIA. REJECTION NOT STATED AS SUCH BUT REFLECTED IN THREE WAYS: (1) ORIGINAL DISCUSSIONS CLEARLY CONTEMPLATED EARLY RESPONSE; HOWEVER, VIRTUALLY SIX MONTHS HAVE NOW ELAPSED WITH NO SOLUTION. (2) BASIC IN PROPOSAL WAS NO PROSECUTION OF DROBOT AND HIS RELEASE FROM INDIA. NOW BOTH FOREIGN EXCHANGE AND TAX AUTHORITIES ARE SEVERELY HEDGING ON SUCH COMMITMENTS AND INDEED WE HAVE LEARNED THAT (A) FORMAL CASE FOR PROSECUTION ON TAX NOW IN PREPARATION, (B) LOWER LEVEL BUT FRIENDLY TAX OFFICER TELLS US THAT PROSECUTION INEVITABLE SAVE FOR INTERVENTION OF PRIME MINISTER, (C) MIDDLE LEVEL FOREIGN EXCHANGE OFFICER PRIVATELY TELLS US PROSECUTION INEVITABLE ON FOREIGN EXCHANGE, AS DOES A SENIOR OFFICER KNOWLEDGEABLE ON FOREX CASE. THE LATTER ALSO STATING THAT NOTHING LESS THAN PRIMIN INTERVENTION COULD PREVENT THIS, (D) TAX BOARD CHAIRMAN HAS SUMMARILY REJECTED 271-4A APPLICATION WHICH

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WOULD HAVE ASSURED NO TAX PROSECUTION, (E) FOREIGN EXCHANGE

DIRECTOR TOLD US HE IS UNDER PRESSURE TO BRING DROBOT UNDER MAINTENANCE OF INTERNAL SECURITY ACT, WHICH MEANS DETENTION, (F) THREE SOURCES OF PRESUMED KNOWLEDGEABILITY HAVE TOLD DROBOT AS FRIEND THAT THEY KNOW PRESSURE BEING BROUGHT FROM LEFT TO PROSECUTE DROBOT, (G) RECENT QUESTION IN PARLIAMENT FROM HEAD OF COMMUNIST PARTY HAS STIRRED MATTER UP AGAIN. (3) FIGURES BEING BANDIED ABOUT, THOUGH ADMITTEDLY NOT FROM REALLY AUTHENTIC SOURCES, SUGGEST POSSIBILITY THAT FINANCIAL SETTLEMENT AMOUNT MAY TURN OUT TO BE LUDICROUS RATHER THAN WITHIN OUR CONCEPT OF "REASONABLE".

2. BECAUSE WE CONSIDER THAT OUR LONG AND ALWAYS FORTHCOMING COOPERATION AND OUR EXTENSIVE NEGOTIATIONS HAVE BEEN REJECTED, WE HAVE DECIDED THAT WE CAN NO LONGER PROCEED ON THIS BASIS AND ARE DOING THE FOLLOWING:

(1) WE WILL ATTEND FOREIGN EXCHANGE HEARING SCHEDULED FOR DECEMBER 11 AT WHICH FINAL PLEADINGS WILL BE MADE, BUT FROM WHICH NO DECISION IS EXPECTED TO EMANATE FOR 15 TO 45 DAYS. WE WILL THEN LEAVE INDIA IN EARLY MORNING OF DECEMBER 12, LYONS FOR LONDON FROM WHERE HE WILL BRIEF YOU TELEPHONICALLY AT ABOUT 10 AM YOUR TIME THURSDAY; MCMAHON FOR BANGKOK AND OTHER WESTINGHOUSE FAR EAST OFFICES.

(2) WE WILL INFORM DROBOT THE GIST OF THE ABOVE, TELL HIM THAT WE ARE UNABLE TO DO MORE ON THE LINES OF WHAT WE HAVE BEEN DOING FOR THE PAST SIX MONTHS AND THAT WE WILL HAVE TO LEAVE MATTER IN HANDS OF DADACHANJI AND VERMA, AND ALLOW CASE TO RUN ITS NORMAL ADMINISTRATIVE AND LEGAL COURSE.

(3) WE WILL INFORM DROBOT THAT HE IS SUSPENDED FROM HIS DUTIES AND POSITION IN INDIA NOW AND THAT HE WILL BE TERMINATED AS AN EMPLOYEE OF THE CORPORATION EFFECTIVE DECEMBER 31, 1974. WE WILL TELL HIM THAT THE COMPANY IS GRANTING HIM A RETIREMENT ANNUITY (ON TERMS DISCUSSED MILLER/LYONS) FROM JANUARY 1, 1975 AND THAT WE WILL CONTINUE TO PAY HIS LEGAL AND ACCOUNTING EXPENSES UNTIL CASE FINISHED.

(4) WE WILL HAVE DADACHANJI COMMENCE ARRANGEMENTS TO WIND UP* WESTASIA, REALIZE ITS ASSETS AND REPATRIATE THEM TO THE EXTENT POSSIBLE. WE WILL DISPOSE OF OFFICE AND TERMINATE STAFF GIVING DUE ATTENTION TO THOSE EMPLOYEES MERITING SPECIAL TREATMENT. (ALL OF THIS EFFECTIVE IN PRINCIPLE AS OF JANUARY 1, 1975, BUT PERHAPS WITHHOLDING ACTION FOR FEW WEEKS TO MEET LOCAL LIMITED OFFICIAL USE

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STRATEGIES).

3. THESE DECISIONS WILL BE NOTIFIED TO THE APPROPRIATE AUTHORITIES BY DADACHANJI SOME TIME SOON AFTER OUR DEPARTURE, BUT HE WILL HOLD UP A WHILE IF IT SEEMS LIKELY THAT FOREIGN EXCHANGE DECISION WILL BE FORMALLY ISSUED WITHIN REASONABLE TIME. THIS IS BECAUSE WE EXPECT DECISION TO EXONERATE CORPORATION FROM CHARGES, AND WE

WOULD WANT THIS FORMALLY STATED BEFORE GOVERNMENT INFORMED
OF OUR DECISION.

4. EMBASSY INFORMED OF ABOVE AND ASKED IF THEY FELT ANY
ACTION DESIREABLE ON THEIR PART, OR FURTHER ACTION REQUIRED
ON OUR PART. NO TO BOTH.
MOYNIHAN

NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEE.

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